BAIRSTOW AND ASSOCIATES CONSULTING LIMITED
HOUSING AND MUNICIPAL AFFAIRS CONSULTANTS

SUITE 202, MacLean BLOCK, 10110 - 107 ST., EDMONTON, ALBERTA T5J 1J4 TELEPHONE (403) 426-4416

STATISTICAL UPDATE FOR THE REPORT

"THE CASE FOR REVENUE SHARING IN ALBERTA"

prepared for

RAYMOND A. SPEAKER - INDEPENDENT MEMBER

by

BAIRSTOW AND ASSOCIATES CONSULTING LIMITED

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Edmonton, Alberta

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Between late September and early December, 1981, the firm of Bairstow and Associates Consulting Limited was contracted by Mr. Raymond A. Speaker's office, to develop a discussion paper for Alberta municipalities entitled "The Case for Revenue Sharing in Alberta". One of the more important findings of the Study, in terms of Alberta trends in municipal finance, was that education costs were rising more rapidly than municipal expenditures, and provincial grants were not keeping pace, with the result that education taxes raised locally were taking an increasing proportion of the local tax base over time. These trends were graphically portrayed in the report and a definite trend was observed between the mid 1970's and 1979 for Edmonton and Calgary, towns, villages, counties, municipal districts, improvement districts, and special areas.

Since the Study was completed in late 1981, 1979 statistics were the most current available for most municipalities at the time of writing. Many municipalities have since inquired whether the trends identified in the revenue sharing report have continued since 1979 or reversed. The purpose of this small analysis is to update statistics presented in the 1981 study, paying particular emphasis on the relationship between municipal taxes and local taxes directed to education.

Table 2 on page 25 of the revenue sharing report showed total provincial education expenditures at $1.3 billion in 1981, which

was a 21.8% increase over the previous year. Department of Education officials put the figure at $1.601 billion for 1982, which is a 22.2% increase over 1981. In that year, provincial grants to education rose by approximately 14%, on average, leaving a growing shortfall for local taxpayers to pick up through requisitions. In 1983, the announced grant increase to education will only be 5%, even though total provincial enrolments are still increasing by 2%. This would tend to indicate that the burden born by local taxpayers for school costs will continue to grow.

The three tables presented on the following pages are intended to supplement the information shown in table 3, page 33 in the 1981 Study. Table 1 highlights actual school versus municipal taxes paid by the major cities in 1981, and can be compared to actuals shown on table 3 for 1979. For example, Edmonton taxpayers paid $89 million for schools in 1979 and $118 million in 1981. This didn't leave a lot left over for municipal purposes, and in fact, municipal taxes rose from $125 million in 1979 to only $131 in 1981. In percentage terms, as is shown in table 2, school taxes in Edmonton rose by 32.7% but municipal taxes rose by only 4.2%

Table 2 also shows that local taxes to schools rose at a much greater rate than taxes to municipal purposes in Camrose, Drumheller, Grand Prairie, Lethbridge, Red Deer, St. Albert, and

Wetaskiwin. Overall, for the 10 major cities shown in table 2, which represents the bulk of Alberta's population, taxes to schools rose on average, 26.1% per year between 1979 and 1981, compared to 17.2% for taxes to municipal services.

Table 3 presents this information in another way, with education taxes as a proportion of all local taxes in 1979 and 1981. In Edmonton, the proportion rose from 41.5% to 47.4% and in some municipalities, more than half of all local taxes go to schools. For example, the 1981 percent to schools was 50.9% for Lethbridge, 63.3% for Medicine Hat, and 53.4% for Red Deer.

Table 3 also shows this relationship for various categories of municipalities between 1979 and 1980. (Due to computer problems in Municipal Affairs, 1981 data was not yet available). In the categories of towns, villages, counties, and improvement districts, the portion of local taxes going to schools rose dramatically between 1979 and 1980.

In conclusion, based on the above updated statistics, as well as 1982 and 1983 provincial grant funding increase levels in relation to the growth in expenditures, school taxes will continue to take up a larger portion of a highly limited tax base, the local property tax levy. These past trends partly explain why municipalities in Alberta in 1983 were required to cut back their budgets so drastically as well as laying off a significant number of municipal employees. Not only was their

freedom to manoeuvre limited, due to rising school taxes for which they have no control, but their revenues under a stagnant tax base, due to the economic slump, have been lower than expected.

The case for municipal revenue sharing that was made in the 1981 Report is even more critical today than it was then, because Alberta municipalities are far too closely tied to provincial programs and grants. In 1981, the revenue sharing report published by Ray Speaker's office recommended a revenue sharing program with a revenue base tied to justifiable budget requirements, allowed to escalate or fall with the economy and not just resource revenues, and with a fair allocation formula that takes into account the massive transit costs of the big cities plus the limited fiscal tax base of the smaller centres.

The 1981 Report discussed the experience of other western provinces, such as British Columbia, Saskatchewan, and Manitoba, all who have had municipal revenue sharing schemes for several years now. It is now interesting to observe that with the dramatic downturn in the economy, those municipalities who have been the hardest hit have been in Alberta, where Alberta municipalities are truly creatures of the province and where long-term planning and budgeting is impossible because of the need to wait each year for the Provincial Budget to come down.

Alberta municipalities should continue to press the government

for a progressive revenue sharing program to improve the municipal budgetary process and allow themselves greater autonomy in setting their own priorities. At the same time, to allow themselves greater flexibility with the use of the property tax, Alberta municipalities should press the government to fulfill its 1971 commitment by its then Education Minister, Lou Hyndman, to remove the funding of schools from the property tax and have this important service to people funded through the general revenues of the Province.

Table 1

EDUCATION TAX LEVY VERSUS MUNICIPAL TAX LEVY IN 1981

LOCATION	LOCAL SCHOOL TAXES $'000	MUNICIPAL TAXES $'000
CALGARY	123871	169521
EDMONTON	118240	131143
CAMROSE	2033	2653
DRUMHELLER	985	1636
GRAND PRAIRIE	5157	6088
LETHBRIDGE	10385	10004
MEDICINE HAT	7084	4114
RED DEER	8384	7303
ST. ALBERT	4801	8757
WETASKIWIN	1508	2010

Table 2

GROWTH IN EDUCATION TAXES AS A PORTION OF TOTAL MUNICIPAL TAX LEVY

LOCATION	1979	1981
CALGARY	44.5	42.2
EDMONTON	41.5	47.4
CAMROSE	38.8	43.4
DRUMHELLER	32.4	37.6
GRAND PRAIRIE	38.9	45.9
LETHBRIDGE	47.4	50.9
MEDICINE HAT	66.0	63.3
RED DEER	47.3	53.4
ST. ALBERT	34.1	35.4
WETASKIWIN	37.3	42.9

	1979	1980
Towns	39.8	40.2
Villages	37.8	44.8
Counties	42.9	48.7
Municipal Districts	45.8	43.0
Improvement Districts	52.8	56.7
Special Areas	55.8	55.3

Table 3

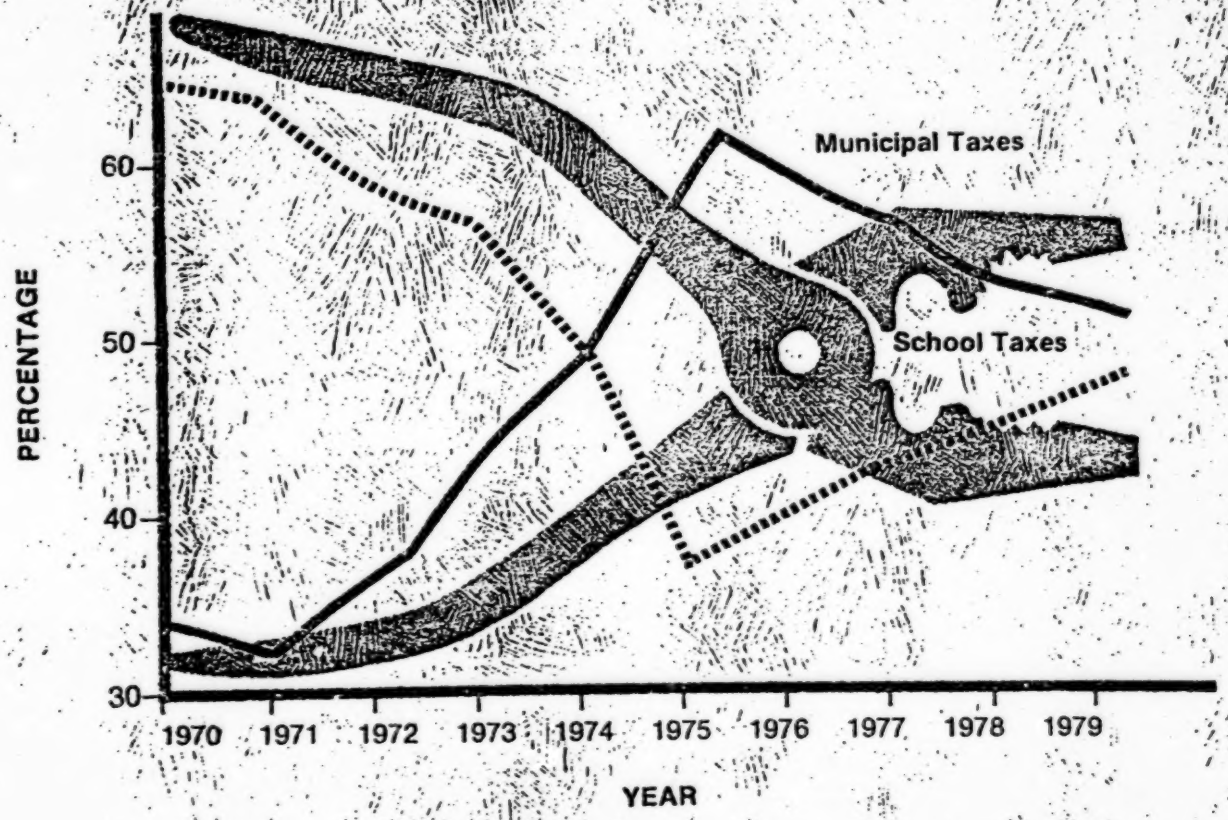
GROWTH IN MUNICIPAL TAX LEVY: EDUCATION VS MUNICIPAL PURPOSES
1979 to 1981

LOCATION	ABS. INCREASE IN LOCAL TAXES TO EDUCATION: $'000	PERCENT INCREASE 79-81	ABS. INCREASE IN LOCAL TAXES TO MUNICIPAL: $'000	PERCENT INCREASE 79-81
CALGARY	37924	44.1	62414	58.2
EDMONTON	29156	32.7	5328	4.2
CAMROSE	613	43.1	549	26.0
DRUMHELLER	395	66.9	434	36.1
GRAND PRAIRIE	2315	81.4	1765	40.8
LETHBRIDGE	2079	25.0	1152	13.0
MEDICINE HAT	1677	31.0	1602	63.7
RED DEER	4104	95.8	1653	29.2
ST. ALBERT	1732	56.4	2992	51.8
WETASKIWIN	474	45.8	349	21.0
	AVERAGE	52.2		34.4
	AVERAGE/YR	26.1		17.2

THE CASE FOR REVENUE SHARING IN ALBERTA

A DISCUSSION PAPER FOR ALBERTA MUNICIPALITIES

Property Taxpayer in a Squeeze



PREPARED FOR

RAYMOND A. SPEAKER, LEADER

THE OFFICIAL OPPOSITION
LEGISLATIVE ASSEMBLY OF ALBERTA

LEGISLATIVE ASSEMBLY
ALBERTA

214 Legislative Building
Edmonton, Alberta T5K 2B6

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Good Morning!

Last Spring I distributed a report entitled "The Case for Revenue Sharing in Alberta" which was commissioned through our office.

You will recall that this Report documented the financial squeeze confronting Alberta's municipalities and outlined a clear rationale for revenue sharing in our province.

Recently we requested the author of the Report to prepare a statistical update, and I am pleased to enclose a copy of Mr. Bairstow's report supplement for your information.

Any comments you may wish to forward to us would be appreciated.

Yours sincerely,

Raymond A Speaker

Raymond A. Speaker, M.L.A.
Little Bow

Encl.